

VILLAGE OF FRANKLIN
Oakland County, Michigan

Report on Audit of Accounts

June 30, 2008

VILLAGE OF FRANKLIN, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

Members of the Council
Village of Franklin
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Franklin, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Franklin, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Franklin, Michigan, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Franklin, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

October 20, 2008

VILLAGE OF FRANKLIN, MICHIGAN

June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of Franklin's (the Village) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The Village's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The Village as a Whole

Net Assets - The Village's combined net assets were \$8,624,065 at the close of the year ended June 30, 2008. This represents a decrease of \$(211,140) or a 2.4% decrease from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets increased \$46,433. The business-type activity had a decrease of \$257,573 in net assets. A large part of this decrease was from depreciation on the sewer system and interest paid on the sewer bonds payable.

The following table reflects the condensed Statement of Net Assets for the year ended June 30, 2008.

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS						
Current and other assets	\$ 1,785,648	\$ 1,839,769	\$ 2,227,476	\$ 2,744,405	\$ 4,013,124	\$ 4,584,174
Capital assets	6,037,678	6,251,361	7,460,501	7,518,478	13,498,179	13,769,839
Total assets	\$ 7,823,326	\$ 8,091,130	\$ 9,687,977	\$ 10,262,883	\$ 17,511,303	\$ 18,354,013
LIABILITIES AND NET ASSETS						
Current and other liabilities	\$ 506,705	\$ 515,442	\$ 534,217	\$ 443,580	\$ 1,040,922	\$ 959,022
Long term debt outstanding	4,383,000	4,688,500	3,463,316	3,871,286	7,846,316	8,559,786
Total liabilities	\$ 4,889,705	\$ 5,203,942	\$ 3,997,533	\$ 4,314,866	\$ 8,887,238	\$ 9,518,808
Net assets:						
Invested in capital assets, net of related debt	1,457,678	1,371,361	3,589,215	3,244,538	5,046,893	4,615,899
Restricted	1,114,834	1,071,485	189,258	242,427	1,304,092	1,313,912
Unrestricted	361,109	444,342	1,911,971	2,461,052	2,273,080	2,905,394
Total net assets	\$ 2,933,621	\$ 2,887,188	\$ 5,690,444	\$ 5,948,017	\$ 8,624,065	\$ 8,835,205
Total liabilities and net assets	\$ 7,823,326	\$ 8,091,130	\$ 9,687,977	\$ 10,262,883	\$ 17,511,303	\$ 18,354,013

VILLAGE OF FRANKLIN, MICHIGAN

June 30, 2008

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the Village totaled approximately \$1,304,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the Village's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the year ended June 30, 2008:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Program revenue:						
Charges for services	\$ 903,905	\$ 1,004,282	\$ 458,770	\$ 376,674	\$1,362,675	\$1,380,956
Operating grants and contributions	247,207	255,640			247,207	255,640
Capital grants and contributions			109,752	194,487	109,752	194,487
General revenue:						
Property taxes	2,040,673	1,936,051			2,040,673	1,936,051
State shared revenue	208,070	208,141			208,070	208,141
Interest income	81,996	92,012	104,988	129,505	186,984	221,517
Franchise fees	85,437	74,995			85,437	74,995
Miscellaneous	23,496	21,242			23,496	21,242
Loss on sale of assets	(6,155)	(6,252)			(6,155)	(6,252)
Total revenue	\$ 3,584,629	\$ 3,586,111	\$ 673,510	\$ 700,666	\$4,258,139	\$4,286,777
Program expenses:						
General government	592,773	532,477			592,773	532,477
Public safety	1,906,118	2,004,686			1,906,118	2,004,686
Public works	635,478	602,046			635,478	602,046
Community and economic development	31,508	32,013			31,508	32,013
Recreation and culture	150,135	143,879			150,135	143,879
Interest on long term debt	222,186	233,989			222,186	233,989
Sewer			931,083	769,863	931,083	769,863
Total program expenses	\$ 3,538,196	\$ 3,549,090	\$ 931,083	\$ 769,863	\$4,469,279	\$4,318,973
Increase (decrease) in net assets	\$ 46,433	\$ 37,021	\$ (257,573)	\$ (69,217)	\$ (211,140)	\$ (32,196)
Net assets - beginning of year	2,887,188	2,850,167	5,948,017	6,017,234	8,835,205	8,867,401
Net assets - end of year	\$ 2,933,621	\$ 2,887,188	\$ 5,690,444	\$ 5,948,017	\$8,624,065	\$8,835,205

As shown in the above table total revenues were approximately \$4.3 million, of which 48% was obtained from property taxes, 32% for fees charged for services and 5% for state shared revenues. Total expenses were approximately \$4.5 million, of which 43% was for public safety, 14% for public works and 21% for sewer.

Business Type Activities

The Village's business-type activities consists of the Pressure Sewer Fund. The Village provides sewer service to approximately 660 customers. During the year the Village constructed Sewer improvements of \$143,460.

The Village Funds

The analysis of the Village's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2008 include the General Fund, Major Road Fund, Local Road Fund, Building Department and the Debt Service Fund.

The General Fund is the main operating fund of the Village. Total revenues for the year were approximately \$2,056,000. Of this revenue, 45% was from property taxes, 36% was from charges for services and 10% was from state shared revenues. Total expenditures for the year were approximately \$1,978,000. Of these expenditures, 66% was for public safety and 29% was for general government. At June 30, 2008 the unreserved fund balance of \$472,874 represented 24% of the total General Fund expenditures for the year.

VILLAGE OF FRANKLIN, MICHIGAN

June 30, 2008

The Village Funds (continued)

The Major Road Fund accounts for the repairs, maintenance and construction of all Village major streets. The fund balance of this fund at June 30, 2008 was \$431,047.

The Local Road Fund accounts for repairs, maintenance and construction of all Village local streets. The fund balance of this fund at June 30, 2008 was \$530,635.

The Building Department Fund accounts for the collection of building permits and fees and cost of inspections. The fund balance of this fund at June 30, 2008 was \$37,704.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2008 was \$71,273.

General Fund Budgetary Highlights

Over the course of the year, the Village Council amended the budget to take into account events during the year. Cable TV revenues were amended to reflect additional royalties received. General and administrative assessment revenue was amended to reflect lower activity in the Building Department Fund. Interest income was amended to reflect higher interest rates than anticipated. Administrator expenditures were amended to reflect additional salaries from moving a portion of the building clerks salaries to the General Fund. Capital outlay expenditures were amended to reflect additional police equipment purchased and to reflect a lower amount of village hall improvements. Operating transfers out were amended to reflect additional transfers to the Building Department Fund.

Village departments overall stayed below budget with the exception of the Village Council, Administrator, Village Hall and Capital Outlay, resulting in total expenditures and other financing uses of \$6,181 in excess of budget. In addition, actual revenue and other financing sources exceeded budgeted amounts by \$39,258.

Capital Asset and Debt Administration

At the end of June 30, 2008, the Village had \$13,498,179 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer lines.

Major expenditures for capital assets during the year included the following:

1. Sewer System improvements - \$143,460;
2. (2) Police vehicle and accessories - \$62,035;
3. Storm drainage improvements - \$8,934;
4. Police equipment - \$8,380;
5. Road joint and crack sealing - \$28,794.

Long-Term Debt

The Village's total indebtedness at June 30, 2008 was \$8,451,286. No new debt was issued during the current fiscal year. The City maintains an "AA+" rating from Standard & Poor's. Additional information on the Village's long-term debt can be found in Note F.

Economic Factors and Next Year's Budgets and Rates

The Village's 2009 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2009 are as follows:

	2009 Mills Levied	2008 Mills Levied
Operations:		
General operations	2.7248	2.7248
Library	.4522	.4538
Fire	.8578	.8134
Rubbish	1.6383	1.6229
	4.6731	4.6149
Debt service:		
Road and drain	1.2776	1.3205
Police building	.1842	.1995
	1.4618	1.5200
Total	6.1349	6.1349

VILLAGE OF FRANKLIN, MICHIGAN

June 30, 2008

Revenues (continued)

Property tax revenues are expected to increase 3.4%. This is the result of new construction within the Village and property sales increasing the taxable value. General and administrative assessment revenue, cable T.V. revenue, and interest income are all expected to reflect a reduction.

Expenditures

Payroll expenses are expected to increase because of normal annual raises and because of the replacement of a retired police officer. Cablecast Board expenses are expected to decrease because of decreased cable TV revenues. Historic Study Committee expenses are expected to increase because of increased activity. Contracted services expenses are expected to increase because of additional services provided by the finance clerk. Police department capital outlay expenses are expected to decrease because of the two autos purchased during 2008.

The 2009 General Fund budget expects a surplus of approximately \$20,000. The projected General Fund's fund balance at June 30, 2009 is approximately \$519,000 which represents approximately 26% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Village Office, at the Village of Franklin, 32325 Franklin, Franklin, Michigan 48025-1199.

VILLAGE OF FRANKLIN, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 1,482,205	\$ 1,599,001	\$ 3,081,206
Receivables:			
Customers		151,641	151,641
Special assessments		59,000	59,000
Other	56,171	2,477	58,648
Agency funds	74,791		74,791
Due from other governments	141,402		141,402
Prepaid expenses	16,235		16,235
Restricted assets - cash and cash equivalents	14,844		14,844
Receivables - noncurrent portion		415,357	415,357
Capital assets, net	6,037,678	7,460,501	13,498,179
Total assets	\$ 7,823,328	\$ 9,687,977	\$ 17,511,303
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 103,110	\$ 746	\$ 103,856
Accrued wages	14,845		14,845
Accrued interest	58,500	34,600	93,100
Due to other governments	5,250	90,901	96,151
Noncurrent liabilities:			
Compensated absences	128,000		128,000
Due within one year	325,000	407,970	732,970
Due in more than one year	4,255,000	3,463,316	7,718,316
Total liabilities	\$ 4,889,705	\$ 3,997,533	\$ 8,887,238
Net assets:			
Invested in capital assets, net of related debt	1,457,678	3,589,215	5,046,893
Restricted for:			
Major and local streets	961,682		961,682
Debt service	12,773		12,773
Police equipment	10,214		10,214
Building code	37,704		37,704
Waste water management	9,088		9,088
Garbage and rubbish	23,369		23,369
Fire services	60,004		60,004
Sewer projects		189,258	189,258
Unrestricted	361,109	1,911,971	2,273,080
Total net assets	\$ 2,833,621	\$ 5,690,444	\$ 8,624,065
Total liabilities and net assets	\$ 7,823,328	\$ 9,687,977	\$ 17,511,303

The attached notes are an integral part of the financial statements.

VILLAGE OF FRANKLIN, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 592,773	\$	\$ 9,774	\$
Public safety	1,908,118	882,463	2,100	
Public works	635,478	21,442	235,393	
Community and economic development	31,506			
Culture and recreation	150,135			
Interest on long term debt	222,186			
Total governmental activities	\$ 3,538,196	\$ 903,905	\$ 247,207	\$
Business-type activity:				
Sewer	931,083	458,770		109,752
Total primary government	\$ 4,469,279	\$ 1,362,675	\$ 247,207	\$ 109,752

General revenues:

Property taxes	
State shared revenues	
Interest income	
Franchise fees	
Miscellaneous	
Special item - sale of fixed assets	

Total general revenues

Changes in net assets

Net assets - July 1, 2007

Net assets - June 30, 2008

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (582,999)	\$	\$ (582,999)
(1,021,555)		(1,021,555)
(378,703)		(378,703)
(31,506)		(31,506)
(150,135)		(150,135)
(222,186)		(222,186)
\$ (2,387,084)	\$	\$ (2,387,084)
	(362,561)	(362,561)
\$ (2,387,084)	\$ (362,561)	\$ (2,749,645)
2,040,673		2,040,673
208,070		208,070
81,996	104,988	186,984
85,437		85,437
23,496		23,496
(6,155)		(6,155)
\$ 2,433,517	\$ 104,988	\$ 2,538,505
\$ 48,433	\$ (257,573)	\$ (211,140)
2,887,186	5,948,017	8,835,205
\$ 2,933,621	\$ 5,690,444	\$ 8,624,065

VILLAGE OF FRANKLIN, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

	General	Major Street	Local Street
ASSETS			
Cash and cash equivalents	\$ 217,969	\$ 438,172	\$ 511,080
Receivables:			
Other	24,208		
Due from other funds	194,811		14,341
Due from other governments	106,817	20,773	13,812
Prepaid expenses	16,235		
Restricted cash	14,844		
Total assets	<u>\$ 574,684</u>	<u>\$ 458,945</u>	<u>\$ 539,233</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 60,506	\$ 713	
Accrued wages	14,845		
Due to other funds	10	27,185	8,598
Due to other governments			
Total liabilities	<u>\$ 75,361</u>	<u>\$ 27,898</u>	<u>\$ 8,598</u>
Fund balances:			
Reserved for:			
Debt service			
Other	26,449		
Unreserved, reported in:			
General Fund	472,874		
Special Revenue Funds		431,047	530,635
Total fund balances	<u>\$ 499,323</u>	<u>\$ 431,047</u>	<u>\$ 530,635</u>
Total liabilities and fund balances	<u>\$ 574,684</u>	<u>\$ 458,945</u>	<u>\$ 539,233</u>

The attached notes are an integral part of the financial statements

Building Department	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
\$ 184,380	\$ 67,395	\$ 53,209	\$ 1,482,205
21,908		10,055	56,171
	3,878	66,854	279,684
			141,402
			16,235
			14,844
<u>\$ 216,288</u>	<u>\$ 71,273</u>	<u>\$ 130,118</u>	<u>\$ 1,980,541</u>
\$ 9,484	\$	\$ 32,407	\$ 103,110
169,100			14,845
		5,250	204,893
			5,250
<u>\$ 178,584</u>	<u>\$</u>	<u>\$ 37,657</u>	<u>\$ 328,098</u>
	71,273		71,273
			28,449
			472,874
<u>37,704</u>	<u></u>	<u>92,461</u>	<u>1,091,847</u>
<u>\$ 37,704</u>	<u>\$ 71,273</u>	<u>\$ 92,461</u>	<u>\$ 1,662,443</u>
<u>\$ 216,288</u>	<u>\$ 71,273</u>	<u>\$ 130,118</u>	<u>\$ 1,990,541</u>

VILLAGE OF FRANKLIN, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total governmental fund balances. \$ 1,662,443

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$7,870,519	
Less accumulated depreciation	(1,832,841)	6,037,678

Long-term liabilities, including compensated absences, are not
due and payable in the current period and are not reported in
the funds including related accrued interest. (4,766,500)

Net assets of governmental activities \$ 2,933,621

The attached notes are an integral part of the financial statements

VILLAGE OF FRANKLIN, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General	Major Street	Local Street
Revenues:			
Property taxes	\$ 921,603	\$	\$
Licenses and permits	88,137		
Federal sources	9,774		
State sources	210,170	126,832	94,271
Charges for services	751,348		
Fines and forfeitures	14,672		
Interest	31,170	15,757	18,218
Other	30,818		
Total revenues	\$ 2,055,690	\$ 142,589	\$ 112,489
Expenditures:			
Current:			
General government	570,545		
Public safety	1,297,372		
Public works		90,228	81,793
Community and economic development	31,506		
Culture and recreation			
Capital outlay	78,613	14,397	23,331
Debt service:			
Principal payments			
Interest and service charges			
Total expenditures	\$ 1,978,036	\$ 104,625	\$ 105,124
Excess of revenues over (under) expenditures	\$ 77,654	\$ 37,964	\$ 7,365
Other financing sources (uses):			
Operating transfers in			31,042
Operating transfers out	(162,510)	(31,042)	
Total other financing sources (uses)	\$ (162,510)	\$ (31,042)	\$ 31,042
Excess of revenues and other sources over (under) expenditures and other uses	\$ (84,856)	\$ 6,922	\$ 38,407
Fund balance - July 1, 2007	584,179	424,125	492,228
Fund balance - June 30, 2008	\$ 499,323	\$ 431,047	\$ 530,635

The attached notes are an integral part of the financial statements.

Building Department	Debt Service	Non-Major Governmental Funds	Governmental Funds
\$ 137,187	\$ 498,809	\$ 620,261	\$ 2,040,673
		14,230	237,554
			9,774
			431,273
			751,346
			14,672
	7,001	9,850	81,996
817		70	31,705
\$ 138,004	\$ 505,810	\$ 644,411	\$ 3,598,993
			570,545
262,914		270,923	1,831,209
		225,434	397,455
			31,506
		150,135	150,135
			116,341
	300,000		300,000
	225,886		225,886
\$ 262,914	\$ 525,886	\$ 646,492	\$ 3,623,077
\$ (124,910)	\$ (20,076)	\$ (2,081)	\$ (24,084)
162,510			193,552
			(193,552)
\$ 162,510	\$	\$	\$
\$ 37,600	\$ (20,076)	\$ (2,081)	\$ (24,084)
104	91,349	94,542	1,888,527
\$ 37,704	\$ 71,273	\$ 92,461	\$ 1,662,443

VILLAGE OF FRANKLIN, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - total governmental fund. \$ (24,084)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$108,143	
Less current year depreciation	(307,462)	(199,319)

Governmental funds only report the disposal of assets to the
extent proceeds are received from the sale. In the Statement of
Activities, a gain or loss is reported for each disposal (14,364)

Compensated absences are included as a liability in governmental
activities (19,500)

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long-term debt). 300,000

Accrued interest is recorded in the statement of activities. 3,700

Change in net assets of governmental activities. \$ 46,433

The attached notes are an integral part of the financial statements.

VILLAGE OF FRANKLIN, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

June 30, 2008

	Business-type Activity Pressure Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,599,001
Receivables:	
Customers	151,641
Special assessments	59,000
Others	2,477
Total current assets	\$ 1,812,119
Noncurrent assets:	
Receivables - special assessments	415,357
Capital assets, net	7,460,501
Total noncurrent assets	\$ 7,875,858
Total assets	\$ 9,687,977
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and other liabilities	\$ 746
Accrued interest	34,600
Due from other governments	80,901
Current portion of long term debt	407,970
Total current liabilities	\$ 534,217
Noncurrent liabilities:	
Bonds payable	3,463,316
Total liabilities	\$ 3,997,533
Net assets:	
Invested in capital assets, net of related debt	3,589,215
Restricted for improvements	189,258
Unrestricted	1,911,971
Total net assets	\$ 5,890,444
Total liabilities and net assets	\$ 9,687,977

The attached notes are an integral part of the financial statements

VILLAGE OF FRANKLIN, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2008

	Business-type Activity Pressure Sewer Fund
Operating revenue:	
Sewage disposal charges	\$ 419,122
Penalties	12,875
Miscellaneous	26,773
Total operating revenue	\$ 458,770
Operating expenses:	
Cost of sewage treatment	262,507
Inspection costs	260
General and administrative expense	81,081
System maintenance	24,941
Pump station maintenance	204,082
Depreciation	201,437
Professional fees	2,719
Miscellaneous	2,043
Total operating expenses	\$ 759,080
Operating income (loss)	\$ (300,310)
Nonoperating revenues (expenses):	
Capital charges	61,950
Interest income	104,988
Reserve for improvements	47,802
Interest expense	(148,737)
Reserve for operations	(9,606)
Miscellaneous	(13,660)
Total nonoperating revenues (expenses)	\$ 42,737
Change in net assets	\$ (257,573)
Net assets - July 1, 2007	5,948,017
Net assets - June 30, 2008	\$ 5,690,444

The attached notes are an integral part of the financial statements.

VILLAGE OF FRANKLIN, MICHIGAN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2008

	Business-type Activity Pressure Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 529,086
Payments to suppliers	(560,123)
Net cash provided (used) by operating activities	\$ (31,037)
Cash flows from capital and related financing activities:	
Collection of customer assessments	337,087
Reserve for improvements	47,802
Purchase of property and equipment	(143,460)
Principal paid on capital debt	(402,653)
Interest paid on capital debt	(151,837)
Reserve for operations	(9,606)
Miscellaneous non-operating expenditures	(19,660)
Net cash provided (used) by capital and related financing activities	\$ (336,327)
Cash flows from investing activities:	
Interest income	114,188
Net increase (decrease) in cash and cash equivalents	\$ (253,176)
Cash and cash equivalents - July 1, 2007	1,852,177
Cash and cash equivalents - June 30, 2008	\$ 1,599,001
Reconciliation of operating income (loss) to net cash provide (used) by operating activities:	
Operating income (loss)	\$ (300,310)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	201,437
Changes in assets and liabilities:	
(Increase) decrease in receivables	10,486
(Increase) decrease in due from other governments	59,830
Increase (decrease) in accounts payable and other liabilities	(2,480)
Net cash provided (used) by operating activities	\$ (31,037)

The attached notes are an integral part of the financial statements.

VILLAGE OF FRANKLIN, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2008

	Trust & Agency Fund	Tax Collection Fund	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 174,951	\$ 108,101	\$ 283,052
Due from other funds	4,600		4,600
Total assets	<u>\$ 179,551</u>	<u>\$ 108,101</u>	<u>\$ 287,652</u>
LIABILITIES			
Due to other funds	\$ 1,891	\$ 77,500	\$ 79,391
Due to other governments		30,601	30,601
Deposits payable	177,660		177,660
Total liabilities	<u>\$ 179,551</u>	<u>\$ 108,101</u>	<u>\$ 287,652</u>

The attached notes are an integral part of the financial statements.

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - Summary of Significant Accounting Policies:

The accounting policies of the Village of Franklin (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Franklin.

Reporting Entity

The Village of Franklin is governed by an elected seven-member Council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

VILLAGE OF FRANKLIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued):

Governmental Funds:

The Village reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the Village. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the Village. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Building Department Fund

The Building Department Fund is a special revenue fund used to account for the collection of building permits and fees and costs of inspections.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal and interest on the Village's general obligation debt. The Village annually levies ad valorem taxes restricted for the retirement of general obligation bonds. This fund reports all ad valorem taxes collected.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund

The Village reports the following major proprietary fund:

Pressure Sewer Fund

The Pressure Sewer Fund accounts for the operation, maintenance and distribution of the sewage systems administered by Oakland County.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Pressure Sewer Fund relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

VILLAGE OF FRANKLIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued):

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the Village as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The 2007 taxable valuation of the Village, assessed as of December 31, 2006, totaled \$328,183,510, and is used for the July 1, 2007 tax bills; this resulted in property tax revenue as follows:

<u>Operations</u>	<u>Mills Levied</u>	<u>Property Taxes</u>
General operations	2.7248	\$894,175
Library	.4538	148,920
Fire	.8134	266,928
Rubbish	.6229	204,413
<u>Debt Service</u>		
Road and drain	1.3205	433,340
Police building	.1995	65,469

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in mutual funds.

For purposes of the Statement of Cash Flows, the Village considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the Village. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain revenues of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and improvements and replacement of the water system. These amounts have been classified as restricted assets.

VILLAGE OF FRANKLIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued):

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furniture, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by proprietary fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

	Years
Land Improvements	10
Sewer System	50
Buildings and Improvements	10-50
Vehicles	6
Machinery and Equipment, Furniture	5-20
Roads	25
Storm Drainage	40

Compensated Absences (Sick and Vacation Leave)

Sick pay earned is recognized in the governmental financial statements when it is paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE B - Stewardship, Compliance, and Accountability:

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The Village's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The Village Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The Village Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Village of Franklin incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General	Capital Outlay	\$ 50,000	\$ 78,613	\$ 28,613**

**This budget overrun was the result of a year end audit adjustment to reclassify a reimbursement from the Village of Bingham Farms for the purchase of a police vehicle. Since this reclassification adjusted a revenue account, there was no effect on fund balance.

NOTE C - Deposits and Investments:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village has designated various banks for the deposit of Village funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds, securities, and other obligations of the United States in which principal and interest are fully guaranteed, certificates of deposit of a bank which is a member of the FDIC or a credit union which is insured by the National Credit Union Administration, commercial paper rated within the two highest classifications by not less than two standard rating services and which matures not more than 270 days after date of purchase (no more than 50 percent of the portfolio may be invested in commercial paper), commercial paper rated within the two highest classifications of United States government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, obligations of the State of Michigan that at the time of purchase are rated as investment

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE C - Deposits and Investments (continued):

grade by not less than standard rating service, mutual funds registered under the Investment Company Act of 1940, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools organized under the Surplus Funds Investment Pool Act or the Local Government Investment Pool Act, and other investments which are authorized for investment by the State Treasurer; repurchase agreements shall be negotiated only with dealers of financial institutions with whom the Village has negotiated a master repurchase agreement. Repurchase agreements must be signed by the village president, the village clerk, and the bank or dealer. The treasurer is prohibited from investing in derivatives, derivate-type instruments, or reverse repurchase agreements that may be allowed under state statute. The Village's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$3,185,301 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have a policy for custodial credit risk. At year end, the Village had no investment securities that were uninsured and unregistered, held by the counterparty, or by its trust department or agent but not in the Village's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the Village was invested only in bank investment pools that are 2a-7 and money market accounts.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has an investment policy that further limits its investment choices as detailed above. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Sweep Account	\$2,964,585	A1	Moody's

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE D - Capital Assets:

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 211,717	\$	\$	\$ 211,717
Capital assets being depreciated:				
Roads	5,534,493	26,794		5,563,287
Storm drainage	602,232	8,934		611,166
Building and improvements	982,204			982,204
Land improvements	26,937			26,937
Machinery and equipment	188,888	8,380		197,046
Furniture and fixtures	134,307			134,307
Vehicles	<u>147,906</u>	<u>62,035</u>	<u>66,086</u>	<u>143,855</u>
Subtotal	\$ 7,616,745	\$ 108,143	\$ 66,086	\$ 7,658,802
Less accumulated depreciation for:				
Roads	1,055,839	221,379		1,277,218
Storm drainage	95,734	16,644		112,378
Building and improvements	115,172	23,646		138,818
Land improvements	15,336	2,694		18,030
Machinery and equipment	153,447	8,342		161,789
Furniture and fixtures	82,383	9,451		91,834
Vehicles	<u>59,190</u>	<u>25,306</u>	<u>51,722</u>	<u>32,774</u>
Subtotal	\$ 1,577,101	\$ 307,462	\$ 51,722	\$ 1,832,841
Net capital assets being depreciated	\$ 6,039,644	\$ (199,319)	\$ 14,364	\$ 5,825,961
Net capital assets	\$ 8,251,361	\$ (199,319)	\$ 14,364	\$ 6,037,678
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 9,560,330	\$ 143,460	\$	\$ 9,703,790
Less accumulated depreciation for:				
Sewer system	<u>2,041,852</u>	<u>201,437</u>		<u>2,243,289</u>
Net capital assets	\$ 7,518,478	\$ (57,977)	\$	\$ 7,460,501

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,875
Public safety	54,564
Public works	238,023
Total governmental activities	\$307,462
Business-type activities:	
Water and sewer	\$201,437

VILLAGE OF FRANKLIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE E - Interfund Receivables, Payables and Transfers:

The following are the interfund receivables at June 30, 2008:

Receivable Fund	Payable Fund	Amount
General Fund	Building Department Fund	\$164,500
	Trust and Agency Fund	1,891
	Tax Collection Fund	6,778
	Major Street Fund	12,844
	Local Street Fund	8,598
	Total General Fund	\$194,611
Special Revenue Funds:		
Local Street Fund	Major Street Fund	14,341
Fire Fund	Tax Collection Fund	63,771
Library Fund	Tax Collection Fund	1,483
Garbage and Rubbish Fund	Tax Collection Fund	1,590
	General Fund	10
	Total Special Revenue Funds	\$ 81,195
Debt Service Fund	Tax Collection Fund	3,878
Agency Fund:		
Trust and Agency Fund	Building Department Fund	4,600
	Total interfund receivable	\$284,284

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Transfers In	Major Street Fund	General Fund	Total
Local Street Fund	\$31,042	\$	\$ 31,042
Building Department Fund		162,510	162,510
Total	\$31,042	\$162,510	\$193,552

Transfers from the Major Road Fund to the Local Road Fund are allowable under Act 51.

NOTE F - Long-Term Debt.

The following is a summary of general long-term debt of the Village for the year ended June 30, 2008.

	General Obligation	Compensated Absences	Total
Balance at July 1, 2007	\$4,880,000	\$ 108,500	\$4,988,500
Principal retirements	(300,000)		(300,000)
Increase in obligation for compensate absences		19,500	19,500
Balance at June 30, 2008	\$4,580,000	\$ 128,000	\$4,708,000

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued):

The following is a summary of long-term debt transactions of the Village's Enterprise Fund for the year ended June 30, 2008:

	General Obligation Bonds
Balance at July 1, 2007	\$4,273,939
Principal retirement	(402,653)
Balance at June 30, 2008	\$3,871,286

General Long-Term Debt - Bonds Payable:

On September 8, 1999 bonds in the amount of \$1,600,000 were sold for road and drainage improvements. The proceeds received from the sale of these bonds amounted to \$1,584,012. These bonds are part of the voter approved authorization for road and drainage improvements. Schedule of principal and interest payments is as follows:

Year	Due September 1			Due March 1	
	Principal	Interest	Total	Interest	
2008	\$ 110,000	\$ 25,295	\$ 135,295	\$	
2009	120,000	22,545	142,545	22,545	
2010	130,000	19,545	149,545	19,545	
2011	140,000	16,295	156,295	16,295	
2012	155,000	12,795	167,795	12,795	
2013	165,000	8,842	173,842	8,842	
2014	180,000	4,635	184,635	4,635	
	\$1,000,000	\$ 109,952	\$1,109,952	\$ 84,657	

The bonds bear interest at a rate of 4.2% to 5.1%.

On November 20, 1999 bonds in the amount of \$850,000 were sold for the construction of a police station. The proceeds received from the sale of these bonds amounted to \$839,375. These bonds are part of the voter approved authorization for police station construction. Schedule of principal and interest payments is as follows:

Year	Due October 1			Due April 1	
	Principal	Interest	Total	Interest	
2008	\$ 30,000	\$ 19,031	\$ 49,031	\$	
2009	35,000	18,244	53,244	18,244	
2010	40,000	17,325	57,325	17,325	
2011	45,000	16,275	61,275	16,275	
2012	45,000	15,082	60,082	15,082	
2013	50,000	13,867	63,867	13,867	
2014	55,000	12,492	67,492	12,492	
2015	65,000	10,966	75,966	10,966	
2016	70,000	9,146	79,146	9,146	
2017	75,000	7,169	82,169	7,169	
2018	85,000	5,031	90,031	5,031	
2019	90,000	2,587	92,587	2,587	
	\$ 685,000	\$ 147,215	\$ 832,215	\$ 128,184	

The bonds bear interest at a rate of 5.0% to 5.75%.

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued):

General Long-Term Debt - Bonds Payable (continued):

On April 11, 2001 bonds in the amount of \$2,000,000 were sold for local road improvements. The proceeds received from the sale of these bonds amounted to \$1,975,009. These bonds are part of the voter approved authorization for local road improvements. Schedule of principal and interest payments is as follows:

Year	Principal	Due October 1 Interest	Total	Due April 1 Interest
2008	\$ 110,000	\$ 32,830	\$ 142,830	\$
2009	125,000	30,465	155,465	30,465
2010	150,000	27,778	177,778	27,778
2011	175,000	24,553	199,553	24,553
2012	195,000	20,790	215,790	20,790
2013	225,000	16,500	241,500	16,500
2014	250,000	11,550	261,550	11,550
2015	275,000	6,050	281,050	6,050
	\$1,505,000	\$ 170,516	\$1,675,516	\$ 137,686

The bonds bear interest at a rate of 4.25% to 4.40%.

On May 29, 2002 bonds in the amount of \$1,700,000 were sold for local road improvements. The proceeds received from the sale of these bonds amounted to \$1,678,750. These bonds are part of the voter approved authorization for local road improvements. Schedule of principal and interest payments is as follows:

Year	Principal	Due October 1 Interest	Total	Due April 1 Interest
2008	\$ 75,000	\$ 31,424	\$ 106,424	\$
2009	80,000	30,018	110,018	30,018
2010	80,000	28,417	108,417	28,417
2011	80,000	26,778	106,778	26,778
2012	90,000	25,077	115,077	25,077
2013	90,000	23,098	113,098	23,098
2014	95,000	21,072	116,072	21,072
2015	100,000	18,888	118,888	18,888
2016	350,000	16,537	366,537	16,537
2017	350,000	8,313	358,313	8,313
	\$1,390,000	\$ 229,622	\$1,619,622	\$ 198,198

The bonds bear interest at a rate of 2.00% to 4.75%.

Compensated Absences:

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund incurring the liability. Unused vacation leave lapses at the end of an employee's anniversary date. In accordance with provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued):

Enterprise Fund - Bonds Payable:

Schedule of semi-annual principal and interest payments due for the Evergreen-Farmington Sewage Disposal System Bonds - Permanent Meter and Interceptor Rehabilitation is as follows:

Year	Due April 1		Total	Due October 1	
	Principal	Interest		Interest	
2008	\$	\$	\$	\$	117
2009	2,970	117	3,087	58	
2010	3,316	58	3,374		
	\$ 6,286	\$ 175	\$ 6,461	\$	175

The bonds bear interest at a rate of 3.5% to 3.7%.

On May 26, 1994 bonds in the amount of \$3,850,000 were sold. These bonds are part of the voter approved authorization. As noted below there was a defeasance of \$2,850,000 of this debt during 2003.

On January 29, 2003, the Village issued \$2,950,000 in general obligation bonds with an average interest rate of 3.00% to advance refund \$2,850,000 of the outstanding sewer construction bond detailed above with an average interest rate of 5.66%. The net proceeds of \$2,912,437 (after receipt of \$36,230 in original issue premium and payment of \$73,793 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the sewer construction bond.

On March 1, 2003, the escrow agent paid \$2,907,000 (including a call premium of \$57,000) to retire the outstanding \$2,850,000 sewer construction bond. The remaining \$5,437 held by the escrow agent was transferred to the Debt Service Fund to cover other incidental issuance costs.

The Village advance refunded the sewer construction bond to reduce its total debt service payments over the next 11 years by \$291,290 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$247,965. Schedule of principal and interest payments are as follows:

Year	Due September 1		Total	March 1	
	Principal	Interest		Interest	
2008	\$ 260,000	\$ 30,937	\$ 290,937	\$	
2009	280,000	27,037	307,037	27,037	
2010	270,000	22,487	292,487	22,487	
2011	290,000	17,762	307,762	17,762	
2012	310,000	12,506	322,506	12,506	
2013	325,000	6,500	331,500	6,500	
	\$1,735,000	\$ 117,229	\$1,852,229	\$	86,292

The bonds bear interest at a rate of 2.00% to 4.00%.

VILLAGE OF FRANKLIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued):

Enterprise Fund - Bonds Payable:

On June 6, 1996 bonds in the amount of \$1,400,000 were sold for sewer construction. The proceeds received from the sale of these bonds amounted to \$1,382,500. These bonds are part of the \$6,000,000 voter approved authorization for sewer construction. As noted below, there was a defeasance of \$1,075,000 of this debt during 2005.

On February 9, 2005, the Village issued \$1,140,000 in general obligation bonds with an average interest rate of 2.925% to advance refund \$1,075,000 of the outstanding sewer construction bond detailed above with an average interest rate of 5.375%. The net proceeds of \$1,099,561 (after payment of \$40,439 in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the sewer construction bond.

The Village advance refunded the sewer construction bond to reduce its total debt service payments over the next 10 years by approximately \$115,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$99,000. Schedule of principal and interest payments are as follows:

Year	Due November 1		Total	Due May 1	
	Principal	Interest		Interest	
2008	\$ 85,000	\$ 14,172	\$ 99,172	\$	
2009	90,000	13,003	103,003	13,003	
2010	90,000	11,709	101,709	11,709	
2011	95,000	10,359	105,359	10,359	
2012	105,000	8,934	113,934	8,934	
2013	125,000	7,254	132,254	7,254	
2014	150,000	5,145	155,145	5,145	
2015	140,000	2,520	142,520	2,520	
	\$ 880,000	\$ 73,096	\$ 953,096	\$ 58,924	

The bonds bear interest at a rate of 2.25% to 3.6%.

March 2, 1999 bonds in the amount of \$1,500,000 were sold for sewer construction. The proceeds received from the sale of these bonds amounted to \$1,481,250. These bonds are part of the \$6,000,000 voter approved authorization for sewer construction. Schedule of principal and interest payments are as follows:

Year	Due November 1		Total	Due May 1	
	Principal	Interest		Interest	
2008	\$ 60,000	\$ 27,659	\$ 87,659	\$	
2009	60,000	26,429	86,429	26,429	
2010	85,000	25,199	110,199	25,199	
2011	95,000	23,435	118,435	23,435	
2012	100,000	21,440	121,440	21,440	
2013	100,000	19,340	119,340	19,340	
2014	120,000	17,190	137,190	17,190	
2015	130,000	14,550	144,550	14,550	
2016	250,000	11,625	261,625	11,625	
2017	250,000	5,875	255,875	5,875	
	\$1,250,000	\$ 192,742	\$1,442,742	\$ 165,083	

The bonds bear interest at a rate of 4.1% to 4.7%.

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued):

Annual Debt Requirement:

The annual requirements to amortize all debt outstanding, excluding compensated absences, as of June 30, 2008 are as follows:

Fiscal Year	General Long-Term Debt		Enterprise Fund	
	Principal	Interest	Principal	Interest
2009	\$ 325,000	\$ 209,852	\$ 407,970	\$ 139,471
2010	360,000	194,337	433,316	125,980
2011	400,000	176,966	445,000	110,951
2012	440,000	157,645	480,000	94,436
2013	485,000	136,051	515,000	75,974
2014	530,000	112,056	550,000	55,429
2015	580,000	85,653	270,000	39,405
2016	440,000	61,587	270,000	28,695
2017	420,000	41,165	250,000	17,500
2018	425,000	20,513	250,000	5,875
2019	85,000	7,618		
2020	90,000	2,587		
	\$4,580,000	\$1,206,030	\$3,871,286	\$ 693,716

NOTE G - Restricted Assets:

The balance of the restricted asset account is as follows:

General Fund:	
Police equipment	\$10,214

NOTE H - Retirement Plans:

Defined Contribution Plan:

The Village provides pension benefits to its administrator and police chief through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the Village Administrator, the Village contributes 8% of employee's gross earnings and employee contributes 5% of earnings. As established by negotiation with the Village Police Chief, the Village contributes 8% of employee's gross earnings and employee contributes 2% of earnings.

In accordance with these requirements, the Village contributed \$12,665 during the current year and the employee contributed \$5,726.

Deferred Compensation Plan:

The Village offers all Village employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balance and activities are not reflected in the Village's financial statements.

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE H - Retirement Plans (continued):

Employee Retirement and Benefit Systems:

The Village is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and post-retirement adjustments to plan members and their beneficiaries. All Village full-time employees are eligible to participate in the system. Employees who retire after age 60 with 10 years of credited service or after age 50 with 25 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.50% of their 5-year final average compensation (FAC), with a maximum benefit of 80% of FAC. The Plan provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired on or after January 1, 2007. Vested employees may retire before age 60 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the Village and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(A); mcla 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village employees and requires a contribution from employees of 2.00% of gross wages for general employees and 3.50% for police employees. The Village is required to contribute at an actuarially determined rate; the current rate is 0.00% of annual covered payroll for general employees and 17.80% for police employees.

During the fiscal year ended June 30, 2008, the Village's annual pension cost of \$111,262 was equal to the Village's required and actual contributions determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total actuarially determined contribution requirement is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years, less the accelerated funding credit.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Three Year Trend Information for GASB Statement No. 27:

Fiscal Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ 94,485	100%	0
June 30, 2007	122,592	100%	0
June 30, 2008	111,262	100%	0

Required Supplementary Information for GASB Statement No. 27:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as A Percentage of Covered Payroll (b-a)/(c)
December 31,	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/(c)
2005	\$ 2,324,465	\$ 2,930,875	\$ 606,210	79.3%	\$737,448	82.2%
2006	2,586,243	3,712,575	1,126,332	69.7%	828,889	135.9%
2007	2,833,211	4,226,247	1,393,036	67.0%	824,701	168.9%

VILLAGE OF FRANKLIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE I - Post Retirement Health Care:

The Village provides hospitalization insurance coverage for employees (and their spouses) who retire under the Michigan Fraternal Order of Police union contract.

The coverage will be the same coverage the employee has at the time of retirement with the premium to be paid one hundred percent (100%) by the Village. Should the employee accept coverage from another source, the coverage will cease. However, if the alternate source ceases, the retiree will be reinstated under the Village coverage which will be paid for at the above rate.

Should the employee predecease his/her spouse, the surviving spouse will continue to receive the same benefits. This benefit will cease in the event that he/she remarries, gains employment with coverage or receives coverage from any other source.

All retirees and their spouses must make application for, and enroll in, Medicare coverage. The Village-paid health insurance will remain in effect until each of the retirees and/or their spouses reach the eligibility age of Medicare. The Village's obligation for health care coverage for the retiree and his/her spouse ends when the retiree and his/her spouse are eligible for Medicare.

During the year ended June 30, 2007, the Village established the Village of Franklin Retiree Health Care Plan (the "Plan") pursuant to Public Act 149 of 1999 and is administered by Municipal Employees' Retirement Systems (MERS). The purpose of the Plan is to hold and invest monies to be used for future payments of police employee retiree healthcare benefits. The Village does not report the Plan's assets within the basic financial statements. During the year ended June 30, 2008, the Village contributed \$44,200 to this Plan, expensed under Public Safety in the General Fund. Currently, one retiree is eligible for post retirement health care. During the year ended June 30, 2008, the Plan distributed \$7,849 for retiree health care benefits. As of June 30, 2008, the total holdings of the Plan were \$79,119.

Upcoming Reporting Change:

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retirees health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

The Village has already started an evaluation project on how it will react to this new requirement.

NOTE J - Risk Management:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for health, dental and life claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE K - Reserved Fund Balances:

Fund balances have been reserved for the following purposes:

	<u>General Fund</u>
Police equipment	\$ 10,214
Prepaid expenses	<u>16,235</u>
	\$ 26,449

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Tax collections:				
Current levy - general	\$ 894,508	\$ 894,508	\$ 894,176	\$ (332)
Property tax administration fee	25,000	25,000	20,133	(4,867)
Interest and penalty on delinquent taxes	5,000	5,000	7,294	2,294
	<u>\$ 924,508</u>	<u>\$ 924,508</u>	<u>\$ 921,603</u>	<u>\$ (2,905)</u>
Licenses and permits:				
Business licenses and permits	750	750	700	(50)
Cable T.V. revenues	45,000	85,000	85,437	437
	<u>\$ 45,750</u>	<u>\$ 85,750</u>	<u>\$ 86,137</u>	<u>\$ 387</u>
Federal sources:				
Community Development Block Grant	9,000	9,000	9,774	774
Police grants	1,000	1,000		(1,000)
	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,774</u>	<u>\$ (226)</u>
State sources:				
Sales tax	185,000	185,000	208,070	23,070
Criminal justice training	1,500	1,500	2,100	600
	<u>\$ 186,500</u>	<u>\$ 186,500</u>	<u>\$ 210,170</u>	<u>\$ 23,670</u>
Charges for services:				
Police protection services	619,224	619,224	662,404	43,180
General and administrative assessment	135,250	100,750	88,942	(11,808)
	<u>\$ 754,474</u>	<u>\$ 719,974</u>	<u>\$ 751,346</u>	<u>\$ 31,372</u>
Police fines and forfeitures	18,200	16,700	14,672	(2,028)
Interest on investments	25,055	39,000	31,170	(7,830)
Other revenue:				
Reimbursements	5,700	10,000	4,781	(5,219)
Sale of fixed assets	6,000	8,000	8,209	2,209
Donations	1,000	2,500	2,605	105
Miscellaneous	3,500	15,500	15,223	(277)
	<u>\$ 16,200</u>	<u>\$ 34,000</u>	<u>\$ 30,818</u>	<u>\$ (3,182)</u>
Total revenues	\$ 1,980,687	\$ 2,016,432	\$ 2,055,690	\$ 39,258
Expenditures:				
General Government:				
Village Council:				
Village Council fees	175	175	175	-
Contracted services	500	500	-	500
Cablecast Board	21,000	52,000	52,481	(481)
Dues and meetings	2,000	1,000	1,672	(672)
Historic Study Committee	12,000	1,000	749	251
Public information	5,500	5,500	5,308	192
Miscellaneous	2,000	2,000	2,008	(8)
	<u>\$ 43,175</u>	<u>\$ 62,175</u>	<u>\$ 62,393</u>	<u>\$ (218)</u>

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Administrator:				
Salaries	129,550	164,639	164,910	329
Contracted services	47,250	38,550	39,048	(498)
Group insurance	41,000	39,000	40,588	(1,588)
Life and disability insurance	5,000	1,500	1,579	(79)
Workers compensation insurance	1,500	1,500	715	785
Retirement contributions	7,200	7,200	6,871	329
Payroll taxes	10,275	12,875	12,376	499
Office supplies	4,000	3,000	3,000	-
Computer software and supplies	6,000	-	400	(400)
Accounting and auditing	2,250	1,450	1,718	(268)
Telephone and communications	2,000	1,200	1,038	162
Dues and meetings	1,050	-	(112)	112
Auto expense	3,500	4,000	3,561	439
	\$ 260,575	\$ 274,914	\$ 275,092	\$ (178)
Elections	3,000	2,200	2,175	25
Legal and related services	35,000	50,000	48,879	1,121
Village Clerk:				
Salaries	47,475	47,475	47,723	(248)
Contracted services	10,000	4,000	3,853	147
Group insurance	20,225	18,225	17,829	396
Life and disability insurance	750	750	572	178
Workers compensation insurance	500	500	102	398
Retirement contributions	1,080	-	-	-
Payroll taxes	3,675	3,675	3,636	39
Office supplies	4,000	4,000	2,580	1,420
Computer software and supplies	3,000	2,000	1,000	1,000
Training	1,000	1,000	687	313
Accounting and auditing	1,500	1,500	1,067	433
Dues and subscriptions	250	250	325	(75)
Tax collection expense	3,000	3,000	1,505	1,495
	\$ 96,455	\$ 86,375	\$ 80,879	\$ 5,496
Village Hall:				
Contracted services	20,500	23,000	23,905	(905)
Telephone and communications	8,750	15,000	13,603	1,397
Utilities	6,750	8,750	7,601	(851)
Repairs and maintenance	7,000	7,000	8,036	(1,036)
	\$ 43,000	\$ 51,750	\$ 53,145	\$ (1,395)
Other general services administration activities:				
Insurance and bonds	40,200	36,200	35,279	921
Community Development Block Grant	9,000	6,000	5,518	482
Miscellaneous	2,500	5,500	7,185	(1,685)
	\$ 51,700	\$ 47,700	\$ 47,982	\$ (282)
Total general government	\$ 532,805	\$ 575,114	\$ 570,545	\$ 4,569

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Public safety:				
Police department:				
Police salaries	706,320	696,600	694,548	2,052
Clerical salaries	28,500	28,500	29,519	(1,019)
Group insurance	140,000	148,000	142,641	5,359
Life and disability insurance	10,844	7,144	7,404	(280)
Workers compensation insurance	11,339	13,339	13,623	(284)
Retirement contributions	104,065	116,065	117,078	(1,011)
Post retirement health care	44,200	44,200	44,200	-
Payroll taxes	55,738	55,738	55,152	586
Office and police supplies	7,000	7,500	5,933	1,567
Computer software and supplies	300	300	-	300
Dues and meetings	2,500	2,500	1,338	1,162
Training expense	4,500	4,500	3,229	1,271
Pistol range expense	2,500	2,500	1,976	524
Uniform expense	8,000	9,000	8,494	506
Accounting and auditing	11,000	9,000	9,508	(508)
Legal and related	4,900	6,500	7,091	(591)
Communication expense	20,000	20,000	16,622	3,378
Central dispatch	47,105	47,105	47,561	(456)
Insurance and bonds	11,000	13,500	13,577	(77)
Police car expense	59,000	59,000	60,483	(1,483)
Utilities	14,000	11,000	11,764	(764)
Repairs and maintenance	6,500	6,500	5,633	867
Total public safety	\$ 1,299,111	\$ 1,308,491	\$ 1,297,372	\$ 11,119
Community and economic development:				
Planning commission:				
Planning	40,000	35,000	28,511	6,489
Legal and related	-	-	759	(759)
Zoning board of appeals	1,200	1,200	819	381
General engineering	2,050	2,050	1,417	633
Total community and economic development	\$ 43,250	\$ 38,250	\$ 31,506	\$ 6,744
Capital outlay:				
Police department	34,000	44,000	72,760	(28,760)
Village hall	35,000	6,000	5,853	147
Total capital outlay	\$ 69,000	\$ 50,000	\$ 78,613	\$ (28,613)
Total expenditures	\$ 1,944,288	\$ 1,971,855	\$ 1,978,036	\$ (6,181)
Excess of revenues over expenditures	\$ 36,421	\$ 44,577	\$ 77,654	\$ 33,077

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other financing sources (uses):				
Operating transfers out.	(5,054)	(162,510)	(162,510)	-
Excess of revenues over (under) expenditures and other financing uses.	\$ 31,367	\$ (117,933)	\$ (84,856)	\$ 33,077
Fund balance - July 1, 2007.	584,178	584,179	584,179	-
Fund balance - June 30, 2008	\$ 615,546	\$ 466,246	\$ 499,323	\$ 33,077

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State shared revenues	\$ 155,000	\$ 131,000	\$ 126,832	\$ (4,168)
Interest	15,000	15,000	15,757	757
Reimbursements	2,500			
Total revenues	\$ 172,500	\$ 146,000	\$ 142,589	\$ (3,411)
Expenditures:				
Current:				
Road maintenance and supplies	119,250	123,250	75,969	47,281
Accounting and auditing	1,750	1,760	1,415	335
Administration	500	16,000	12,844	3,156
Capital outlay - road and street construction	30,000	30,000	14,397	15,603
Total expenditures	\$ 151,500	\$ 171,000	\$ 104,625	\$ 66,375
Excess of revenues over (under) expenditures	\$ 21,000	\$ (25,000)	\$ 37,964	\$ 62,964
Other financing sources (uses):				
Transfer to Local Street Fund	(21,000)	(31,000)	(31,042)	(42)
Total excess of revenues over (under) expenditures and other financing uses	\$	\$ (56,000)	\$ 6,922	\$ 62,922
Fund balance - July 1, 2007	424,125	424,125	424,125	
Fund balance - June 30, 2008	\$ 424,125	\$ 368,125	\$ 431,047	\$ 62,922

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources:				
State shared revenues	\$ 100,000	\$ 87,000	\$ 84,292	\$ (2,708)
Metro Authority	7,500	7,500	8,979	2,479
	\$ 107,500	\$ 94,500	\$ 94,271	\$ (229)
Interest	16,000	16,000	18,218	2,218
Total revenues	\$ 123,500	\$ 110,500	\$ 112,489	\$ 1,989
Expenditures:				
Current:				
Road maintenance and supplies	88,000	103,000	71,543	31,457
Accounting and auditing	2,000	2,000	1,852	348
Administration		10,000	8,598	1,402
Capital outlay - road and street construction	35,000	35,000	23,331	11,669
Total expenditures	\$ 136,000	\$ 150,000	\$ 105,124	\$ 44,876
Excess of revenues over (under) expenditures	\$ (12,500)	\$ (39,500)	\$ 7,365	\$ 46,865
Other financing sources (uses):				
Transfer from Major Street Fund	21,000	31,000	31,042	42
Total excess of revenues and other financing sources over (under) expenditures	\$ 8,500	\$ (8,500)	\$ 38,407	\$ 46,907
Fund balance - July 1, 2007	492,228	492,228	492,228	
Fund balance - June 30, 2008	\$ 500,728	\$ 483,728	\$ 530,635	\$ 46,907

VILLAGE OF FRANKLIN, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Licenses and permits	\$ 396,300	\$ 145,500	\$ 137,187	\$ (8,313)
Miscellaneous			817	817
Total revenues	\$ 396,300	\$ 145,500	\$ 138,004	\$ (7,496)
Expenditures:				
Salaries	38,500	17,290	18,401	(1,111)
Group insurance	15,300	2,000	2,078	(79)
Life and disability insurance	525	250	354	(104)
Workers compensation insurance	2,000	1,600	1,701	(101)
Retirement contributions	2,300			
Payroll taxes	3,020	1,400	1,429	(29)
Administrative services	120,000	60,000	60,000	
Overhead	15,250	7,500	7,500	
Supplies	2,500	1,200	2,549	(1,349)
Computer software and supplies	2,000	400	400	
Dues and meetings	1,000	350	340	10
Accounting and auditing	1,200	900	909	(8)
Legal and related	10,000	2,000	23	1,977
Building inspection fees	169,500	153,500	152,997	503
Training expense	1,000		232	(232)
Insurance and bonds	14,000	14,000	14,000	
Miscellaneous	500			
Total expenditures	\$ 398,595	\$ 262,390	\$ 262,914	\$ (524)
Excess of revenues over (under) expenditures	\$ (2,295)	\$ (116,890)	\$ (124,910)	\$ (8,020)
Other financing sources:				
Operating transfer from General Fund		162,510	162,510	
Total excess of revenues and other financing sources over (under) expenditures	\$ (2,295)	\$ 45,620	\$ 37,600	\$ (8,020)
Fund balance - July 1, 2007	104	104	104	
Fund balance - June 30, 2008	\$ (2,191)	\$ 45,724	\$ 37,704	\$ (8,020)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF FRANKLIN, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

June 30, 2008

	Garbage and Rubbish Collection	Fire	Library	Waste Water Management	Total
ASSETS					
Cash	\$ 48,757	\$	\$	\$ 3,452	\$ 53,209
Due from other funds	1,600	63,771	1,483		66,854
Accounts receivable - other				10,055	10,055
Total assets	<u>\$ 51,357</u>	<u>\$ 63,771</u>	<u>\$ 1,483</u>	<u>\$ 13,507</u>	<u>\$ 130,118</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 27,988	\$	\$	\$ 4,419	\$ 32,407
Due to other governments		3,767	1,483		5,250
Total liabilities	\$ 27,988	\$ 3,767	\$ 1,483	\$ 4,419	\$ 37,657
Fund balance - unreserved	23,369	60,004		9,083	92,461
Total liabilities and fund balance	<u>\$ 51,357</u>	<u>\$ 63,771</u>	<u>\$ 1,483</u>	<u>\$ 13,507</u>	<u>\$ 130,118</u>

VILLAGE OF FRANKLIN, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008

	Garbage and Rubbish Collection	Fire	Library	Waste Water Management	Total
Revenues:					
Taxes	\$ 204,413	\$ 266,928	\$ 148,920	\$	\$ 620,261
Licenses and permits				14,230	14,230
Interest earnings	4,518	3,995	1,215	122	9,850
Other revenue	70				70
Total revenues	\$ 209,001	\$ 270,923	\$ 150,135	\$ 14,352	\$ 644,411
Expenditures:					
Public safety		270,923			270,923
Public works:					
Sanitation	208,781				208,781
Septic inspection				16,653	16,653
Culture and recreation			150,135		150,135
Total expenditures	\$ 208,781	\$ 270,923	\$ 150,135	\$ 16,653	\$ 646,492
Excess of revenues over (under) expenditures	\$ 220	\$	\$	\$ (2,301)	\$ (2,081)
Fund balance - July 1, 2007	23,149	60,004		11,389	94,542
Fund balance - June 30, 2008	<u>\$ 23,369</u>	<u>\$ 60,004</u>	<u>\$</u>	<u>\$ 9,088</u>	<u>\$ 92,461</u>

JANZ & KNIGHT P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

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YEARS
1954-2004

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2008

To the Village Council and Management of
the Village of Franklin, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Franklin as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Franklin's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

The adoption of the Michigan Uniform Local Budgeting Act (Act No. 621, Public Acts of 1978), has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amounts. We noted that the budget was amended during the fiscal year in an attempt to comply with the budget requirements. As previously noted, despite the amendments, expenditures exceeded budgeted amounts in various activities. Listed below are the significant budget overruns:

<u>Fund</u>	<u>Activity</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General	Capital Outlay	\$ 50,000	\$ 78,613	\$ 28,613**

**This budget overrun was the result of a year end audit adjustment to reclassify a reimbursement from the Village of Bingham Farms for the purchase of a police vehicle. Since this reclassification adjusted a revenue account, there was no effect on fund balance.

As part of this year's audit, a more thorough review of internal controls was conducted. This was in part due to the new auditing standards that became effective during this year. Accordingly, we offer the following additional comments to improve internal controls:

New Comments:

1. It was noted during our audit that after checks are signed by the Village Administrator, Village Treasurer or Village Deputy Treasurer, the checks are given to the Finance Clerk to be mailed. To improve internal controls, we recommend that signed checks are given to someone other than the Finance Clerk or the Village Clerk to be mailed.
2. According to the Purchasing Responsibilities section of the Village Administrator ordinance, "The Village Administrator shall have the authority to purchase any goods or services the cost of which does not exceed an amount to be set by Council". We could not locate the documented "amount to be set by Council". We recommend having Council approve this limit at the Organization Meetings. This purchasing limit is not the same as the check signing limit in place for the Village Administrator.
3. It was noted during our audit that interfund bank transfers submitted to the bank were not being matched to the on-line bank account activity to ensure the actual transfer of funds took place and were accurate. The Village Clerk and Finance Clerk have informed us that this procedure has recently been improved with the Village Clerk now matching the bank transfer submission to the on-line bank account activity.
4. The Village has been sufficiently monitoring the budgets monthly for expenditures. However, as part of the monthly and annual budget review of the revenue accounts, actual amounts should be compared to budget amounts to determine any unrecorded or misposted revenue. We recommend the Village Clerk review the revenue accounts as part of the monthly budget review to ensure the completeness and accuracy of the revenue accounts.

We would like to commend the management and staff for the overall improved condition of the accounting records and improved practices of internal controls compared to previous years.

This communication is intended solely for the information and use of management, the Village Council, and others within the Village, and not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

James Wright, P.C.

Certified Public Accountants

JANZ & KNIGHT, P.L.C.

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October 20, 2008

To the Village Council and Management
of the Village of Franklin, Michigan
32325 Franklin Road
Franklin, Michigan 48025-1199

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Franklin for the year ended June 30, 2008 and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2006, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Franklin are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. A receivable was recorded from Bingham Farms for April 2008 police protection services and SAD receipt.
2. A reimbursement from Bingham Farms for the purchase of a police vehicle was reclassified from capital outlay to police protection services revenue.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of the Village of Franklin and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Jany & Knight, PLC

Certified Public Accountants